



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

OCT - 1 2004

Richard R. Brown, Esq.
Brown, Paindiris & Scott, LLP
100 Pearl Street
Hartford, CT 06103

RE: MUR 5453
Michael Watts

Dear Mr. Brown:

By letter dated June 7, 2004, you notified the Federal Election Commission of the possibility of violations by your client of certain sections of the Federal Election Campaign Act of 1971, as amended ("the Act"). On September 24, 2004, the Commission, upon review of the information provided by your client, found that there is reason to believe Michael Watts knowingly and willfully violated 2 U.S.C. §§ 441b(a) and 441f, provisions of the Act. The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Please submit such materials to the General Counsel's Office within 15 days of receipt of this letter. Where appropriate, statements should be submitted under oath. In the absence of additional information, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

In order to expedite the resolution of this matter, the Commission has also decided to offer to enter into negotiations directed towards reaching a conciliation agreement in settlement of this matter prior to a finding of probable cause to believe. Enclosed is a conciliation agreement that the Commission has approved. If your client is interested in expediting the resolution of this matter by pursuing preprobable cause conciliation, and if he agrees with the provisions of the enclosed agreement, please sign and return the agreement, along with the civil penalty, to the Commission. In light of the fact that conciliation negotiations, prior to a finding of probable cause to believe, are limited to a maximum of 30 days, you should respond to this notification as soon as possible.

Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be

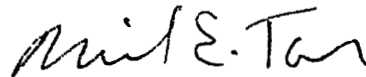
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demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

Please have your client complete the enclosed form authorizing you to receive any notifications and other communications from the Commission.

This matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A) unless you notify the Commission in writing that you wish the matter to be made public. If you have any questions, please contact Christine C. Gallagher, the attorney assigned to this matter, at (202) 694-1650.

Sincerely,



Michael E. Toner
Commissioner

Enclosures

Factual and Legal Analysis
Conciliation Agreement
Designation of Counsel Form
Procedures

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1 **FEDERAL ELECTION COMMISSION**

2 **FACTUAL AND LEGAL ANALYSIS**

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5 RESPONDENT: Michael Watts

MUR 5453

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7 **I. GENERATION OF THE MATTER**

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9 This matter was generated by a *sua sponte* submission filed with the Federal Election
10 Commission by Michael Watts. See 2 U.S.C. § 437g(a)(1).¹

11 **II. FACTUAL AND LEGAL ANALYSIS**

12 In April of 2000, Michael Watts was Senior Vice-President of Arthur A. Watson &
13 Company, Inc. ("the Company").² He approached a higher-ranking officer of the Company and
14 four fellow employees about making contributions to the Giordano for U.S. Senate Committee
15 ("the Committee"),³ and suggested a corporate reimbursement scheme. Mr. Watts, his wife, and
16 four fellow employees and their spouses, made contributions to the Committee.⁴ The Company
17 reimbursed them for the total amount of their contributions, disguising the reimbursements as
18 commissions or salaries. Not only did Mr. Watts suggest the corporate reimbursement scheme,
19 but he also helped the Company in carrying out the scheme by collecting the funds for

¹ All of the facts in this matter occurred prior to the effective date of the Bipartisan Campaign Reform Act of 2002 ("BCRA"), Pub. L. 107-155, 116 Stat. 81 (2002). Accordingly, unless specifically noted to the contrary, all citations to the Act herein are as it read prior to the effective date of BCRA and all citations to the Commission's regulations herein are to the 2002 edition of Title 11, Code of Federal Regulations, which was published prior to the Commission's promulgation of any regulations under BCRA.

² Arthur A. Watson & Company, Inc. is a corporation organized under the laws of Connecticut. At some point after the events in this matter occurred, Arthur A. Watson & Company, Inc. was purchased by BankNorth, and is now wholly owned by BankNorth. Since BankNorth is assuming liability for Arthur A. Watson & Company, Inc., the term "the Company" as used herein refers to both entities.

³ According to information obtained from the United States Department of Justice, Mr. Watts was attempting to secure a contract for the Company with the City of Waterbury, and believed that the contributions to the Committee would help secure the contract (Mr. Giordano was Mayor of the City of Waterbury at the time).

⁴ According to the submission, Mr. Watts' wife was not aware of the unlawful reimbursement. Therefore, the Commission is not making any findings against her at this time.

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1 reimbursement. *See Watts' sua sponte* submission, dated June 7, 2004. The total amount of the
2 reimbursed contributions made by the Company was \$10,000.

3 Mr. Watts admits that he made the contribution to the Committee in the amount of
4 \$2,000, and that he accepted reimbursement of it from the Company. By making the contribution
5 to the Committee, and accepting reimbursement of the contribution from the Company, Mr.
6 Watts violated 2 U.S.C. § 441f.

7 Even though a higher-ranking officer at the Company approved the scheme, this does not
8 negate the fact that Mr. Watts himself was an officer. At the time in question, Mr. Watts was the
9 Senior Vice-President of the Company. He was third in the chain of command, after the
10 President, and Executive Vice-President. It is unlawful for any officer of a corporation to
11 consent to any corporate expenditure which may be prohibited contributions to candidates or
12 committees. 2 U.S.C. § 441b(a). Moreover, no person may knowingly help or assist any person
13 in making a contribution in the name of another. 11 C.F.R. § 110.4(b)(1)(iii). Mr. Watts, as
14 Senior Vice-President of the Company, consented to the use of corporate funds to reimburse
15 employees for their contributions to the Committee (by devising the scheme, and then assisting
16 the Company in carrying out the scheme by collecting the funds for reimbursement). Further,
17 Mr. Watts admits that he knowingly and willfully violated the law: "Mr. Watts sincerely regrets
18 being involved in this attempt to circumvent federal election laws." *See Watts' sua sponte*
19 submission, dated June 7, 2004.

20 Based on the foregoing, there is reason to believe Michael Watts knowingly and willfully
21 violated 2 U.S.C. §§ 441b(a) and 441f.

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